

INFORMATION REPORT

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SUBJECT Iron and Steel Requirements of the Russian Zone

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- 25X1X 1. The Central Economic Commission ordered the Central Statistical Bureau to compile an analysis of the iron and steel needs of the Russian Zone. ~~Comment:~~ Comment: Date not given, presumably April 1948). The order was classified urgent and was executed within a few days. Extracts from the report are given below.
- 25X1A 2. In 1936, the steel requirements of the area now included in the Russian Zone amounted roughly to 1.2 million tons a year. This amount is below the present annual requirement because of the inclusion of urgent repair and recovery production in general industrial planning. For a fairly satisfactory result, present needs must be fixed at 1.4 million tons. Absolutely vital needs, exclusive of repair, recovery, or new construction, require one million tons.
3. The present amount available annually is about 400,000 to 500,000 tons. From 1950 on, this figure could be increased to 800,000 tons yearly if the Riesa steel works (formerly Flick Mittelstahl) were to operate at full capacity until then, and if the Hennigsdorf steel works, now in the initial construction stage, were completed. The deficit of about 200,000 tons below absolute vital needs and estimated 1950 production could theoretically be supplied by the establishment of additional Siemens-Martin furnaces and new rolling mills.
4. Although this is the absolute minimum requirement for making the Russian Zone self-sufficient in steel through the improvement of existing production facilities, a survey of available raw material shows that even the establishment of new productive equipment would not actually make the zone independent. The supply of scrap iron, including that procured from wreckage and debris, at an optimistic estimate should suffice only until about the middle of 1949. Amounting to not much over 250,000 tons a year, it is just adequate for the Riesa and Hennigsdorf works.
5. The general situation can be illustrated by the case of the Maximilianshütte in Unterwellenborn. An increase in productive capacity would be possible only through the installation of

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additional blast furnaces, but even this would not solve the problem of the scarcity of iron ore. If iron were available, there would still be the difficulty of procuring the necessary coke, since neither the western zones nor Poland can be considered reliable sources of supply.

6. On the basis of this analysis, the report recommends a considerable increase of steel importation into the Russian Zone. Importation of the necessary quantities from the western zones is regarded as unlikely, not for political reasons but because of the obligations assumed by the western zones under the Marshall Plan for delivery of steel to other countries, with the Russian Zone very low on the priority list. Practically, it would be of positive value to the Russian Zone if deliveries from the Ruhr could be maintained at the present rate.
7. In this connection, the experience of the Central Administration for Interzonal and Foreign Trade indicates that the western zones as well as other countries want compensation for steel deliveries in raw materials which the Russian Zone cannot on the whole provide. The report recommends reinvestigating in detail the possibility of exporting potatoes and mine timbers to the western zones, where they are in sharp demand, and of exporting to Poland larger quantities of scrap metal, mine timbers, and potassium. Export of potassium and similar products is declared to be an important factor in increasing steel imports into the Russian Zone. Production of nitrogen and nitrogen products has increased considerably, and the Russian Zone's yearly requirements of about 150,000 tons of nitrogen, 150,000 tons of phosphates, 300,000 tons of potassium, and 600,000 tons of calcium carbonate can easily be met if reparation demands are not increased. Under these conditions, the productive capacity of the Leuna and Piesteritz works could be so much increased that substantial compensation could be offered to Poland for steel.
8. The report draws the conclusion that a very serious steel shortage will be felt if imports cannot be arranged to check it.

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